

PERAC AUDIT REPORT



Southbridge Contributory Retirement System

JAN. 1, 2001 - DEC. 31, 2004 / PERAC 04: 11-084-32



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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November 14, 2005

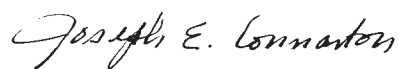
The Public Employee Retirement Administration Commission has completed an examination of the **Southbridge** Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, **2001** to December 31, **2004**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission. There were no significant findings to report.

We commend the **Southbridge** Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiner **Richard Ackerson** who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



Southbridge Retirement System

STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2004**

FOR THE PERIOD ENDING DECEMBER 31,				
ASSETS	2004	2003	2002	2001
Cash	\$862,652	\$1,580,039	\$643,411	\$775,622
Short Term Investments	0	0	0	0
Fixed Income Securities (at book value)	0	0	8,145,537	7,902,190
Equities	0	0	0	0
Pooled Short Term Funds	0	0	0	0
Pooled Domestic Equity Funds	10,006,344	8,423,287	5,925,415	7,009,478
Pooled International Equity Funds	1,773,271	1,472,870	1,129,776	1,015,312
Pooled Global Equity Funds	0	0	0	0
Pooled Domestic Fixed Income Funds	7,180,643	6,869,211	0	0
Pooled International Fixed Income Funds	0	0	0	0
Pooled Global Fixed Income Funds	0	0	0	0
Pooled Alternative Investment Funds	0	0	0	0
Pooled Real Estate Funds	1,584,119	1,154,516	831,014	777,869
Pooled Domestic Balanced Funds	0	0	0	0
Pooled International Balanced Funds	0	0	0	0
PRIT Cash Fund	0	0	0	0
PRIT Core Fund	0	0	0	0
Interest Due and Accrued	0	0	99,740	117,541
Accounts Receivable	82,818	57,626	125,875	344,970
Accounts Payable	(25,412)	(28,801)	(110,663)	(18,200)
TOTAL	<u>\$21,464,434</u>	<u>\$19,528,747</u>	<u>\$16,790,105</u>	<u>\$17,924,781</u>
FUND BALANCES				
Annuity Savings Fund	\$7,202,250	\$6,515,154	\$6,239,393	\$5,633,505
Annuity Reserve Fund	1,975,358	2,137,495	1,734,416	1,861,758
Pension Fund	672,701	875,085	1,494,351	1,831,704
Military Service Fund	0	0	0	0
Expense Fund	0	0	0	0
Pension Reserve Fund	11,614,126	10,001,014	7,321,946	8,597,814
TOTAL	<u>\$21,464,434</u>	<u>\$19,528,747</u>	<u>\$16,790,105</u>	<u>\$17,924,781</u>

Southbridge Retirement System

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2004**

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2001)	\$4,947,897	\$1,858,467	\$2,175,147	\$0	\$0	\$9,053,062	\$18,034,572
Receipts	920,875	60,611	1,348,288	0	120,927	(456,609)	1,994,092
Interfund Transfers	(148,458)	150,282	(3,185)	0	0	1,361	(0)
Disbursements	<u>(86,809)</u>	<u>(207,602)</u>	<u>(1,688,545)</u>	<u>0</u>	<u>(120,927)</u>	<u>0</u>	<u>(2,103,883)</u>
Ending Balance (2001)	5,633,505	1,861,758	1,831,704	0	0	8,597,814	17,924,781
Receipts	872,682	57,535	1,428,046	0	202,375	(1,275,868)	1,284,770
Interfund Transfers	(24,082)	24,082	0	0	0	0	0
Disbursements	<u>(242,712)</u>	<u>(208,959)</u>	<u>(1,765,400)</u>	<u>0</u>	<u>(202,375)</u>	<u>0</u>	<u>(2,419,445)</u>
Ending Balance (2002)	6,239,393	1,734,416	1,494,351	0	0	7,321,946	16,790,105
Receipts	1,088,239	64,391	1,406,883	0	206,132	2,679,811	5,445,457
Interfund Transfers	(596,124)	596,867	0	0	0	(743)	0
Disbursements	<u>(216,354)</u>	<u>(258,180)</u>	<u>(2,026,149)</u>	<u>0</u>	<u>(196,827)</u>	<u>0</u>	<u>(2,697,510)</u>
Ending Balance (2003)	6,515,154	2,137,495	875,085	0	9,305	10,001,014	19,538,052
Receipts	1,028,705	60,969	1,799,804	0	190,039	1,613,112	4,692,629
Interfund Transfers	(24,590)	24,590	0	0	0	0	0
Disbursements	<u>(317,018)</u>	<u>(247,696)</u>	<u>(2,002,188)</u>	<u>0</u>	<u>(190,039)</u>	<u>0</u>	<u>(2,756,942)</u>
Ending Balance (2004)	<u>\$7,202,250</u>	<u>\$1,975,358</u>	<u>\$672,701</u>	<u>\$0</u>	<u>\$9,305</u>	<u>\$11,614,126</u>	<u>\$21,473,739</u>

Southbridge Retirement System

STATEMENT OF INCOME

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2004**

FOR THE PERIOD ENDING DECEMBER 31,				
	2004	2003	2002	2001
Annuity Savings Fund:				
Members Deductions	\$850,305	\$795,435	\$742,290	\$684,649
Transfers from other Systems	122,260	198,614	42,304	115,599
Member Make Up Payments and Redeposits	17,273	36,938	10,601	28,907
Investment Income Credited to Member Accounts	38,867	57,252	77,487	91,719
Sub Total	<u>1,028,705</u>	<u>1,088,239</u>	<u>872,682</u>	<u>920,875</u>
Annuity Reserve Fund:				
Investment Income Credited Annuity Reserve Fund	<u>60,969</u>	<u>64,391</u>	<u>57,535</u>	<u>60,611</u>
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems	10,442	0	0	3,263
Received from Commonwealth for COLA and Survivor Benefits	112,580	86,501	157,212	152,282
Pension Fund Appropriation	<u>1,676,782</u>	<u>1,320,382</u>	<u>1,270,834</u>	<u>1,192,743</u>
Sub Total	<u>1,799,804</u>	<u>1,406,883</u>	<u>1,428,046</u>	<u>1,348,288</u>
Military Service Fund:				
Contribution Received from Municipality on Account of Military Service	0	0	0	0
Investment Income Credited Military Service Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:				
Expense Fund Appropriation	0	0	0	0
Investment Income Credited to Expense Fund	<u>190,039</u>	<u>206,132</u>	<u>202,375</u>	<u>120,927</u>
Sub Total	<u>190,039</u>	<u>206,132</u>	<u>202,375</u>	<u>120,927</u>
Pension Reserve Fund:				
Federal Grant Reimbursement	36,339	55,018	31,016	27,389
Misc Income	30	44	0	0
Interest Not Refunded	3,798	2,899	1,800	1,659
Excess Investment Income	<u>1,572,944</u>	<u>2,621,850</u>	<u>(1,308,684)</u>	<u>(485,657)</u>
Sub Total	<u>1,613,112</u>	<u>2,679,811</u>	<u>(1,275,868)</u>	<u>(456,609)</u>
TOTAL RECEIPTS	<u>\$4,692,629</u>	<u>\$5,445,457</u>	<u>\$1,284,770</u>	<u>\$1,994,092</u>

Southbridge Retirement System

STATEMENT OF DISBURSEMENTS

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2004**

FOR THE PERIOD ENDING DECEMBER 31,				
Annuity Savings Fund:	2004	2003	2002	2001
Refunds to Members	\$127,280	\$197,972	\$97,444	\$50,492
Transfers to other Systems	<u>189,738</u>	<u>18,382</u>	<u>145,268</u>	<u>36,317</u>
Sub Total	<u>317,018</u>	<u>216,354</u>	<u>242,712</u>	<u>86,809</u>
Annuity Reserve Fund:				
Annuities Paid	247,696	258,180	208,959	207,602
Option B Refunds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>247,696</u>	<u>258,180</u>	<u>208,959</u>	<u>207,602</u>
Pension Fund:				
Pensions Paid				
Regular Pension Payments	1,201,890	1,236,666	812,903	1,377,851
Survivorship Payments	54,959	35,939	45,733	0
Ordinary Disability Payments	0	0	0	0
Accidental Disability Payments	412,589	444,129	413,732	0
Accidental Death Payments	94,645	91,961	121,489	0
Section 101 Benefits	13,819	13,177	20,792	0
3 (8) (c) Reimbursements to Other Systems	95,421	66,512	78,957	66,171
State Reimbursable COLA's Paid	128,864	134,562	268,591	241,320
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>3,203</u>	<u>3,203</u>	<u>3,203</u>
Sub Total	<u>2,002,188</u>	<u>2,026,149</u>	<u>1,765,400</u>	<u>1,688,545</u>
Military Service Fund:				
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>	
Expense Fund:				
Board Member Stipend	0	0		0
Salaries	40,242	39,656	23,454	16,093
Legal Expenses	475	1,780	320	1,318
Medical Expenses	0	0	0	0
Travel Expenses	2,984	2,016	763	28
Administrative Expenses	28,579	41,013	76,972	10,148
Furniture and Equipment	2,399	3,555	0	0
Management Fees	80,358	68,736	75,175	69,486
Custodial Fees	19,002	24,571	18,190	16,354
Consultant Fees	<u>16,000</u>	<u>15,500</u>	<u>7,500</u>	<u>7,500</u>
Sub Total	<u>190,039</u>	<u>196,827</u>	<u>202,375</u>	<u>120,927</u>
TOTAL DISBURSEMENTS	<u>\$2,756,942</u>	<u>\$2,697,510</u>	<u>\$2,419,445</u>	<u>\$2,103,883</u>

Southbridge Retirement System

INVESTMENT INCOME

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2001
AND ENDING DECEMBER 31, 2004**

FOR THE PERIOD ENDING DECEMBER 31,				
	2004	2003	2002	2001
Investment Income Received From:				
Cash	\$ 14,360	\$ 13,358	\$12,488	\$21,840
Short Term Investments	0	0	0	0
Fixed Income	0	534,565	562,016	541,761
Equities	11,054	0	4,880	888
Pooled or Mutual Funds	0	4,103	8,585	10,532
Commission Recapture	0	0	0	0
TOTAL INVESTMENT INCOME	<u>25,414</u>	<u>552,027</u>	<u>587,968</u>	<u>575,021</u>
Plus:				
Realized Gains	0	699,112	7,484	44,261
Unrealized Gains	1,837,406	2,072,841	398,704	152,075
Interest Due and Accrued on Fixed Income Securities - Current Year	0	0	99,740	117,541
Sub Total	<u>1,837,406</u>	<u>2,771,954</u>	<u>505,929</u>	<u>313,877</u>
Less:				
Paid Accrued Interest on Fixed Income Securities	0	(74,912)	(69,970)	(45,480)
Realized Loss	0	(200,703)	(306,214)	0
Unrealized Loss	0	0	(1,571,460)	(948,559)
Interest Due and Accrued on Fixed Income Securities - Prior Year	0	(99,740)	(117,541)	(107,259)
Sub Total	<u>0</u>	<u>(375,355)</u>	<u>(2,065,184)</u>	<u>(1,101,298)</u>
NET INVESTMENT INCOME	<u>1,862,820</u>	<u>2,948,626</u>	<u>(971,287)</u>	<u>(212,400)</u>
Income Required:				
Annuity Savings Fund	38,867	57,252	77,487	91,719
Annuity Reserve Fund	60,969	64,391	57,535	60,611
Military Service Fund	0	0	0	0
Expense Fund	190,039	206,132	202,375	120,927
TOTAL INCOME REQUIRED	<u>289,876</u>	<u>327,776</u>	<u>337,397</u>	<u>273,257</u>
Net Investment Income	<u>1,862,820</u>	<u>2,948,626</u>	<u>(971,287)</u>	<u>(212,400)</u>
Less: Total Income Required	<u>289,876</u>	<u>327,776</u>	<u>337,397</u>	<u>273,257</u>
EXCESS INCOME TO THE PENSION RESERVE FUND	<u>\$1,572,944</u>	<u>\$2,620,850</u>	<u>(\$1,308,684)</u>	<u>(\$485,657)</u>

SOUTHBRIDGE Retirement System

STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2004

	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED*
Cash	\$862,652	4.03%	100
Short Term	0	0.00%	100
Fixed Income	0	0.00%	40 - 80
Equities	0	0.00%	40
Pooled Short Term Funds	0	0.00%	
Pooled Domestic Equity Funds	10,006,344	46.74%	
Pooled International Equity Funds	1,773,271	8.28%	
Pooled Global Equity Funds	0	0.00%	
Pooled Domestic Fixed Income Funds	7,180,643	33.54%	
Pooled International Fixed Income Funds	0	0.00%	
Pooled Global Fixed Income Funds	0	0.00%	
Pooled Alternative Investment Funds	0	0.00%	
Pooled Real Estate Funds	1,584,119	7.40%	
Pooled Domestic Balanced Funds	0	0.00%	
Pooled International Balanced Funds	0	0.00%	
PRIT Cash Fund	0	0.00%	
PRIT Core Fund	0	0.00%	100
GRAND TOTALS	<u>\$21,407,029</u>	<u>100.00%</u>	

For the year ending December 31, **2004**, the rate of return for the investments of the **Southbridge** Retirement System was 10.37%. For the five-year period ending December 31, **2004**, the rate of return for the investments of the **Southbridge** Retirement System averaged 6.29%. For the 20-year period ending December 31, **2004**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Southbridge** Retirement System was 9.99%.

Southbridge Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2004

The **Southbridge** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

November 8, 1989

- 20.03(1) Equity investments shall not exceed 50% of the total book value of the portfolio at the time of purchase.

September 1, 1994

- 20.03(1) (a) Domestic equities shall not exceed 50% of the total book value of the portfolio at the time of purchase.
- (b) International equities shall not exceed 10% of the total book value of the portfolio at the time of purchase
- 20.04(1) United States based corporations and equities of foreign corporations.
- 20.07(5) Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange.

October 23, 2003

- 16.08 In accordance with PERAC Investment Guideline 99-2, the Southbridge Retirement Board is authorized to make a minor modification to its fixed income mandate with Freedom Capital Management Company. The board will change from the Core Portfolio to the Core Plus Opportunistic Portfolio, offering the Board limited exposure to high yield and international bonds when the manager sees value in these sectors. Also under that Guideline, the Board is modifying its large cap equity mandate with Freedom Capital. Under the board's current investment, the Equity Style Fund, the board has predominant exposure to either large cap growth or large cap value stocks. Under the new "Core Equity Management" product, the investment universe, portfolio management team, and benchmark remain unchanged but the board will have greater diversification between growth and value and, therefore, less portfolio volatility over time.

Southbridge Retirement System

NOTES TO FINANCIAL STATEMENTS

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 1 - THE SYSTEM

The plan is a contributory defined benefit plan covering all **Southbridge** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

Southbridge Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2004

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

Southbridge Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2004

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The **Southbridge** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

January 19, 1999

ELECTION RULES ELECTION TIMETABLE.

□ An election for the elected members of the Southbridge Retirement Board must take place at the end of each board member's three-year term or upon a vacancy caused by resignation or death of an elected member. The notice of election shall be posted 90 days prior to the election.

Southbridge Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

☐ If the retirement board misses the 90-day notice period, the board may write to PERAC for approval of a supplementary regulation authorizing the use of a reduced notice period. Upon review of all the facts, PERAC may approve a supplementary regulation, which authorizes a notice period less than 90 days but greater than 45 days. If a term expires in less than 45 days, the elected member shall continue to serve beyond the time of his/her term until a new member is elected.

POSTING OF THE ELECTION NOTICE

- ☐ The Southbridge Retirement System shall mail a notice to each member (active, retired, and inactive)
- ☐ The election notice must include the date, time, and manner of the election and shall describe nomination and election procedures.

APPOINTMENT OF ELECTION OFFICER

- ☐ The Southbridge Retirement Board shall appoint the Executive Secretary of the retirement board as an election officer to coordinate all election activity. Any person who is aggrieved by a determination made by the election officer may appeal to the retirement board.

ELIGIBILITY TO SERVE ON RETIREMENT BOARD

- ☐ Any active or retired member is eligible to serve as the elected member of the retirement system. Individuals receiving non-contributory pensions (because their allowance is paid by the community and not the retirement system) or individuals receiving survivor benefits are NOT eligible to run for the position.

NOMINATIONS

- ☐ Any active or retired member may qualify as a candidate by filing with the retirement board nomination papers containing the signatures and addresses of at least twenty (20) members of the retirement system. The retirement board shall verify that those signing the nomination papers are in fact members of the retirement system. Nomination papers must be signed by the candidate.
- ☐ Any person submitting less than the required number of qualified signatures, shall not be considered a candidate and shall be notified of their failure to qualify. If all candidates fail to meet the nomination requirements prior to the deadline, the nomination period shall remain open until the first Monday following the date the first candidate qualifies.
- ☐ Nomination papers shall be made available 90 days prior to the election unless a supplementary regulation is approved by PERAC. Completed nomination papers must be submitted no later than 45 days prior to the election.

WHEN ONLY ONE CANDIDATE FILES NOMINATION PAPERS

- ☐ When only one qualified candidate files nomination papers, said individual shall be declared the winner and an election need not be held. Notice to PERAC of the new or reelected member must be provided.

Southbridge Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

ELECTION BALLOT

☐ If more than one candidate qualifies; an election ballot must be prepared. The order of the names on the ballot must be determined by a random drawing. The random drawing shall be done by the election officer and will be accomplished by placing the names of qualified candidates into a container and drawing one at a time. The incumbent (if there is one) has the right to be identified as such on the ballot.

CONDUCTING THE ELECTION

☐ The Southbridge Retirement Board shall conduct their elections by mail; all active, inactive and retired members shall be mailed a ballot. In addition to the ballot, the election package shall include a return envelope, which contains a space where the voter must sign his or her name to indicate that he/she is a qualified voter. The return envelope will also contain a space for the return address in the upper left-hand corner. The Southbridge retirement system shall not provide postage on the return envelope.

☐ To ensure that voters cannot be identified, the Southbridge Retirement Board shall include a separate inside envelope in which the ballot will be placed. The sealed ballot envelope (which contains no signature) is then placed inside the outer envelope, which the member must sign. Upon receipt of the ballot by the election officer, the outer envelope is used to verify the voter; the outer envelopes will then be sorted between active, retired, and inactive members and then placed in alphabetical order. On election day, the outer envelope will be opened and the sealed ballot envelope will be placed in a ballot box.

COUNTING OF BALLOTS

☐ Only the election officer (Executive Secretary) or his/her designee shall count ballots. The retirement board shall notify all candidates in advance of the time and place of the ballot tabulation. The candidates or their representatives may be present and may observe the counting process.

DISQUALIFIED BALLOTS

- ☐ Ballots are considered disqualified if:
- ☐ Ballot envelope contains no name
- ☐ Ballot is not returned in the envelope provided
- ☐ Ballot cannot be verified as being submitted by a member in service or a retiree
- ☐ Ballot of member or retiree voting more than once
- ☐ Ballot is received after the deadline
- ☐ Ballot contains identifying data of the voter
- ☐ Ballot contains more than one "X"
- ☐ Ballot has been defaced such that the voter's choice of candidate is ambiguous

ELECTION RESULTS

☐ The retirement board shall notify all candidates of the election results in writing within 7 days after the election. Written notice should be provided even if the candidates were present when the election results were determined.

Southbridge Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS(Continued)

APPEAL OF ELECTION RESULTS

□ Any candidate appealing the election results or any aspect of the election proceedings shall file an appeal with the retirement board within 7 working days.

□ The Election Officer shall preserve all ballots received by the retirement board for 90 days following the determination of the election results. The Election Officer shall then destroy ballots.

July 30, 1999

Buy-Backs

In all cases involving part time, stipend, provisional, temporary provisional, seasonal, or intermittent employment or service of any employee in any governmental unit [prior to membership], said [member] shall be entitled to buy back said service, provided that

(1) said [member] was later appointed to full time service, (2) said [member] worked at least 20 hours per week, (3) said [member] pays back into the system an amount equal to that which would have been deducted from wages plus interest. The Southbridge Retirement Board shall determine how much service in any calendar year is equivalent to a year of service.

August 27, 1999

Military Buy-Backs

All members who are eligible veterans under Chapter 71 of the Acts of 1996, shall have the following option on the purchase of their military time. Payment shall be made in a lump sum within three (3) years of the date of their application to purchase their military time. Failure to make payment within this time period shall result in forfeiture of the right to purchase such service.

Southbridge Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by **PERAC** as of **January 1, 2004**.

The actuarial liability for active members was	\$19,709,160
The actuarial liability for retirees and inactive members was	<u>20,530,607</u>
The total actuarial liability was	40,239,767
System assets as of that date were (actuarial value)	<u>20,295,180</u>
The unfunded actuarial liability was	<u>\$19,944,587</u>
The ratio of system's assets to total actuarial liability was	50.4%
As of that date the total covered employee payroll was	\$9,736,750

The normal cost for employees on that date was 8.2% of payroll

The normal cost for the employer was 6.3% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.00% per annum

Rate of Salary Increase: Varies

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2004

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2004	\$20,295,180	\$40,239,767	\$19,944,587	50.4%	\$9,736,750	204.84%
1/1/2003	16,790,105	39,455,878	22,665,773	42.6%	9,162,439	247.38%
1/1/2001	17,881,000	29,439,000	11,558,000	60.7%	7,646,000	151.16%

Southbridge Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 6 - MEMBERSHIP EXHIBIT

Retirement in Past Years	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Superannuation	9	4	6	9	7	5	1	2	15	1
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	1	1	0	0	0	2	2	0	1	0
Total Retirements	10	5	6	9	7	7	3	2	16	1
Total Retirees, Beneficiaries and Survivors	141	141	138	146	150	148	152	156	160	156
Total Active Members	303	313	314	323	318	354	310	339	314	315
Pension Payments										
Superannuation	\$595,776	\$644,245	\$669,323	\$670,230	\$739,982	\$779,438	\$885,956	\$812,903	\$1,236,666	\$1,201,890
Survivor/Beneficiary Payments	47,770	24,027	23,987	31,417	33,636	42,746	42,746	45,733	35,939	54,959
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	222,154	267,643	247,199	251,336	246,660	330,858	330,858	413,732	444,129	412,589
Other	<u>234,988</u>	<u>273,933</u>	<u>305,152</u>	<u>304,921</u>	<u>326,344</u>	<u>405,678</u>	<u>428,985</u>	<u>493,032</u>	<u>309,415</u>	<u>332,749</u>
Total Payments for Year	<u>\$1,100,688</u>	<u>\$1,209,848</u>	<u>\$1,245,661</u>	<u>\$1,257,904</u>	<u>\$1,346,622</u>	<u>\$1,558,720</u>	<u>\$1,688,545</u>	<u>\$1,765,400</u>	<u>\$2,026,149</u>	<u>\$2,002,188</u>

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